Chapter 1

Introduction

Significance

Credit is an important input for the development process. Its impact being pervasive on various sectors of the economy, the mobilization of resources by the financial system and their allocation to sectors and projects in conformity with priorities under lying the development plans have become integral part of the overall planning process. Planned allocation of the scarce credit resources among different sectors of the economy in accordance with priorities implicit in the development plans has come to be accepted as a strategic instrument in planning, given the natural tendency for credit to gravitate towards rural development irrespective of their contribution to the overall balanced economic development. In a developing economy, rural markets are generally characterized by large imperfections, and as such, the free market forces are unlikely to provide the right incentive or the required momentum for optimum utilization of scarce capital resources. In contrast, a planned system could ensure better allocation of available limited resources among various competing demands.
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The Committee to review arrangements for institutional Credit for Agriculture and Rural Development (CRAFICARD) set up by the Reserve Bank of India (RBI) under the Chairmanship of Shri. B. Sivaraman conceived and recommended the establishment of the National Bank for Agricultural and Rural Development (NABARD). The Parliament through the Act 61 of 1981 approved its setting up and the bank came into existence on 12 July, 1982. NABARD took over the functions of the erstwhile Agricultural Credit Department (ACD). Its subscribed paid-up capital was Rs. 100 crores, contributed by the Government of India (GOI) and RBI in equal proportions.

NABARD was established for providing financial support to the promotion of agriculture and allied activities, small-scale industries, cottage and village industries, handicrafts and other rural areas of the country with a view for promoting integrated rural development and securing prosperity in rural areas of the country.

NABARD is an apex institution accredited with all matters concerning planning policy, and operations in the field of credit for agriculture and other economic activities in rural areas. The main functions of NABARD are:

1. Serving as an apex refinancing agency for the institutions providing investment and production credit for promoting various developmental activities in agricultural areas and rural sector;
2. Taking measures towards institution building for improving absorbing capacity of the credit delivery system including monitoring, formulation of rehabilitation scheme, restructuring of credit institutions, training of personnel etc;

3. Coordinating the rural financing activities of all the institutions engaged in developmental work at the field level and maintaining liaison with GOI, State Governments, RBI and other national level institutions concerned with policy formulation;

4. Undertaking monitoring and evaluating project refinanced by it; and

5. Undertaking regulating measures in relation to regional rural banks and cooperative banks.

NABARD’s refinancing is available to State Land Development Banks Scheduled Commercial Banks, Regional Rural Banks and State Cooperative Banks. While the ultimate beneficiaries of investment credit can be individuals, partnership concerns, companies, state-owned corporations or cooperative societies, but production credit is generally meant for individuals.

Review of Literature

A study under ARDC (NABARD) on lending in Tamil Nadu carried out in Madurai District revealed that a major share of the total loans provided to the small farmers went to
the target groups. As a result of this, the gross income of small farmers increased from Rs. 7800 to Rs. 10,100 and thus, the scheme had definite impact on the small farmers. The scheme covered only 10 per cent of the weaker sections. Their very weak asset base and instance of security denied them the benefits of institutional finance. However, there was no willful defaulter. Milch animals and sheep rearing programmes registered good repayment due to tie-up arrangement for marketing.¹

Charan. D. Wadhwa in his book on Rural Bank for Rural Development has made an attempt to evaluate the role of institutional credit in rural development. The author shows that several financial institutions have been established to fulfil the financial needs of rural poor and has given several reasons like influence of local leaders, complicated banking procedures like warm attitude of banking personnel, and corruption etc. due to which the poor have not been benefited at all. He mostly stresses upon the point that rural banks must develop simple schemes and cooperative attitude for providing requisite financial help and assistance to the need of the rural poor.²

R.K. Narula and D.P. Sharma conducted a detailed study on the positive role to be played by commercial banks in the agricultural development. They analysed that without adequate development of agricultural sector it is not possible for the country to be self-sufficient in food grains. They gave
their view of agriculture development as a profitable profession and in such a case the commercial banks have an important task to perform.\(^3\)

S.K. Basu in his study, entitled Commercial Bank and Agricultural Credit, and V.G. Rao and Paramjit Malya in their book Role of Commercial Banks in Agricultural Development, have made an attempt to assess the contribution of commercial banks in the development of agriculture. They have raised certain questions pertaining to agriculture viz., whether the farmer community has been getting adequate financial facilities from the commercial banks or not, and how the commercial banks advance money for this purpose. They opine that nationalization of the commercial banks has done a commendable job in developing agriculture yet, there is a dire need to have a fresh look on the problem to bring more improvements in the future plan.\(^4\)

R.C. Arora and G.c. Sristava\(^5\) have presented a vivid and penetrating analysis in their book Role of Rural Industries and Rural Development. ACC to them the industrialization of rural areas is the best response to tackle the gigantic problems of economic stagnation, poverty, underemployment and unemployment. They further observe that rural industries can create employment opportunities in the rural sector, which would ultimately amount to prosperity. Stress should be laid on the industrialization of rural areas with a view to attain some other objectives like
accelerated rate of industrial growth; steady improvement in income and standard of living of rural masses.

Kishore C. Pandhey and Ajit Singh in their separate books have presented on account of the banking system of India and its role in rural development. They opine that the commercial banks have been playing a pivotal role to improve upon the socio-economic plight of rural masses and that's why they are called development agents or change agents.

S.K. Basu in his book Industrial Finance in India made an attempt to study the main problems of Industrial Finance in India and the role of principal agencies, which have been entrusted with responsibility of providing industrial finance not only in India but also in some other countries of the world like Japan. He opines that industrial progress and development without which the industrialization is difficult, if not impossible.

Singh L.R. in his study revealed the level of use and the rational of allocation of credit among farm inputs between progressive and less progressive farms in Varanasi district. He viewed that investment on irrigation and fertilizers had significant and positive impact on the level of total credit availed by progressive farms, while investment on draught cattle influenced the level of total credit in less progressive farms. He also found that there is an important and positive role of credit on returns from crops.
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Misra has observed in his study in U.P. that the loan obtained from government was the highest in the case of large sized farms. Short-term credit has shown a remarkable impact on the output of major crops viz., paddy, wheat and sugarcane. The study revealed that there was much scope for increasing medium and long-term advances.\textsuperscript{10}

Sharma and Prasad in their study extracted that the credit in needed farm size-wise at different stages of technological development in agriculture. Linear programming technique was used to estimate credit requirements and its impact on cropping pattern and income. The study revealed that irrigated farms and improved technology would call for more credit. Adequate credit increased income substantially even the existing level of technology.\textsuperscript{11}

According to Lee W.F. agricultural finance was the economic study of the acquisition and use of capital in agriculture. It dealt with the supply of demand for funds in the agricultural sector of the economy.\textsuperscript{12}

Arumugam in his study revealed problems of the lenders at the institution level and borrowers at the farm level and also the factors contributing to better farm credit management. He also concluded that the rural financial institutions supplied 28 per cent of the credit needs of the farmers. There were varying degrees of credit gaps among
different farm size groups, while the gap was the highest for the smallest farm size group.\textsuperscript{13}

S. Sudarshan in his article entitled Financing of Integrated rural Development has scholarly presented the role of commercial banks in financing various schemes under the Integrated Rural development Programme. The functional analysis by the author has empirically showed the financial assistance provided by all the financial institutions and reveals that share of commercial banks in the advancement of loans for various schemes under the IRDP is much higher than that of Cooperative and Regional Rural Banks.\textsuperscript{14}

Rao and Rao has examined the role-played by informal and institutional agencies in the supply of credit for financing modern inputs. The study shows that institutional sources met 30 per cent of the borrowings. Except medium farm all were direct borrowed funds. According to the authors productivity of land and potentialities for future investment could be improved if additional capital was given to the small and marginal farmers.\textsuperscript{15}

A. S. Kahlon and Karan Singh in their work, “Managing Agricultural Finance pointed out that despite the presence of plethora of financial institutions like cooperatives, Regional Rural Banks and Commercial Banks etc. still the agricultural sector suffers for want of funds. Keeping in view the shortage of agro-credit, the need of effective management of agriculture credit has been stressed upon by the authors, as it
is awfully needed in the adoption of new technology and improved methods and practice to enhance agricultural production.\textsuperscript{16}

To Murray, agricultural finance would comprise the borrowing of funds by farmers; the organization and operation of farm lending agencies; and society's interest in credit for agriculture.\textsuperscript{17}

Another study made by Lee classified agricultural credit into three types namely; (i) investment credit; (ii) operating credit; (iii) consumption credit. Investment credit might be required for investment on land, building machinery and livestock. These investments would give a good production. Credit required for operating expenses on feeding livestock, repairing farm machinery and buildings, buying seed and hiring labour, constitute operating cost. Consumption credit used to buy goods and services was not directly connected with the process of production.\textsuperscript{18}

G.A. Naryana in his work “Problems of Agricultural Loans” has discussed that farmers are into getting bank loans properly and he has also given suggestions to remove this problem. He holds that farmers do not go to bank due to non-cooperative attitude of the bank employees, complicated and dilatory procedure and their dependence on the Sarpanch and other functionaries for getting loans.\textsuperscript{19}

Article entitled, “Rural Banking for the Rural Poor,” by M.N. Mishra holds the view that the Regional Rural Banks
were established with a view to provide financial help to the rural poor. But benefit is mainly availed by the rich farmers and not the small and marginal ones. According to the author this practice is mainly due to the connivance of the bank officials and the hindrances of local leaders.20

K.V. Murthy and Vijay Kumar in their article "Small Industries and Rural Development" have made a joint effort to describe as to how the rural industries can be helpful in the gigantic task of rural development. The authors hold that setting up of small-scale industries in the rural areas can generate extra employment opportunities, reduce poverty and dependence of the rural population on agriculture. They can play a vital role in improving the overall socio-economic condition of the rural poor.21

The National Bank for Agriculture and Rural Development (NABARD) undertook a survey with the sample of 1948 beneficiaries of the Integrated Rural Development Programme (IRDP), covering 122 branches of the financing banks spread over 60 blocks in 30 districts of 15 states. The survey revealed the defects of the implementation of IRDP like (i) the provision of credit for a single activity; (ii) financing of defective and substandard assets; (iii) undue stress on financing animal husbandry programmes; and (v) lack of supervision on the end use of credit. The survey suggested that the targets of the diversified investment activities for a block should be fixed keeping in mind the
resource potential, availability of infrastructural facility, and agro-climatic conditions of the area concerned. The programme could be made effective if the family would be treated as the basic unit in the identification of beneficiaries and a package of activities would be financed rather than confining to a single activity.22

B.K. Lal and K.L. Mukhopadhay in their work “Agricultural Finance in West Bengal,” made a joint effort to assess the credit requirements of the farmers of West Bengal. They hold that inspite of the cooperative banks and Government sponsored institutions meeting the credit needs of the farmers, yet the agriculturists are suffering for want of funds. The authors recommend suitable institutional changes to bridge the credit gap, which is likely to widen in near future. Finally they opine that the Reserve Bank of India and other financial institutions should amend their working procedures to enable common agriculturists to get the benefits of agricultural credit in an easy manner.23

An article by L. Nadu and B. Nagraja Financing of Small Scale Industries by Commercial Banks: Some Problems and suggestions, reveals that in an agricultural country like India, where unemployment and underemployment is acute, small scale industrial sector has to play a prominent role. A significant feature according to the authors of small-scale sector is that it helps in diffusing economic power and ensures equal disbursement of wealth—which is essential to
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achieve the equalitarian objective of a socialistic society. The small-scale industries aim not only to provide employment opportunities but also to make a great contribution to the rapid decentralized growth of our economy. Therefore, realizing the potential of small-scale industries institutional credit should be made available to them by the financial institutions like commercial banks. The authors have also highlighted the problem faced by the Commercial Banks and at the end of the study have listed its eradication.\(^2\)

A study on cooperative long-term finance by Kurulkat had covered 18 villages in three taluks of Aurnagabad. He made his study that the credit advanced by the Land Development Banks, was neither producing good results nor was cheap.\(^25\)

J.S. Hanmashetti & M.D. Dodkey in their work "NABARD’s role in rural credit" present that the National Bank for Agricultural and Rural Development (NABARD) is an apex. Development Bank of the country for promoting sustainable and equitable agriculture and rural promoting sustainable and equitable agriculture and rural development through effective credit support related services, building institutions and other innovative initiatives. NABARD today is at the center of development activities in the rural areas and a bedrock of prosperous rural India.\(^26\)

A scholarly effort was made by Rayudu on NABARD’s Rural Credit and Cooperative, examined the role of the
NABARD in rural credit with reference to cooperative & analysed the progress in its refinance activities during its short period of working. The various areas covered for analysis were functions, re-finance to cooperatives, schematic assistance to cooperative disbursements, purpose wise, distribution, loans to state Governments for contribution to share capital of cooperative institutions, medium and short-term loans to SCBs.  

Surender Sud in his article emphasized on strengthening of the NABARD. He proposed to increase the share capital of the NABARD, the apex agricultural refinance body, from Rs. 500 crore at present to Rs. 2000 crore in the next five years. He has also suggested to the private local area banks to help is mobilizing the rural savings by local institutions and make them available for investment in the same area.  

Gupta G.P. (1982) gave a varied look on the structure of agencies providing credit in rural areas. He concluded in his study that "In the matter of structuring the agencies for rural credit; one must not only take full account of spectacular increase in the tempo of agricultural activity; it must also be based on various other important implications of the new situation which are emerging with the change in the outlook, regarding occupational structure and socio-economic aspirations of the rural sector."
Another paper concentrated on the strategies and policies adopted by the NABARD with respect to schematic re-finance for investment for rural development and pleads for major policy review in the context of less satisfactory rural development. He also highlighted the technological problems of the industrial sector in rural areas and has asked for its revolution. At the end the author has also given suggestions that NABARD can perform the task of providing finance with the help of rural capital and if needed, attracting capital from elsewhere.\textsuperscript{30}

Dixit in his article has mostly concentrated on the problems of agriculture and rural development in the country and how NABARD should overcome these problems. According to him NABARD should take care about the rate of interest charged from the final borrower, create proper understanding between cooperative banks on one hand and the commercial and the regional rural banks on the other, strengthen and streamline the working of Primary efficiency of cooperative credit agencies especially at the grass-root level and to reduce the level of overdues in every credit agency, commercial banks, cooperative banks and regional rural banks.\textsuperscript{31}

Another article by Gopal "Agricultural Financing in changing perspective-An overview", has stated that hither to Five Years Plans, no deliberate effort was made by the Indian Government for the development of agriculture and
insufficient attention was given to this sector. The author remarks that no doubt, after nationalization, the commercial banks are actively engaged in the task of financing agricultural sector, but even after the passage of two and half decade, there appears to be no significant change in the socio-economic status of peasant community. Some restrictions like faculty lending policies, inadequate loan amount non-cooperative attitude of bank employees and complicated procedures of granting loans by the banks, etc. are in the way of financing by the banks. The author opines that the time has come to have a fresh look of the problems of the farmers and to make the banks to amend their existing banking practices, rules and regulations to enable the people to get the bank aid easily.\textsuperscript{32}

The Indian Economic Survey 1999-2000 reveals that NABARD has taken several initiatives in the development of agricultural sector. In recent years Kissan Credit Card (KCC) and the self Help Groups (SHGs) have been introduced for this purpose. NABARD has increased its capital base from Rs. 500 crore to Rs. 2000 crore so that it can leverage its capital funds for raising more resources. NABARD is also getting a general meet short-term credit requirements of cooperative and Regional Rural Banks (RRBs). NABARD also introduced Rural infrastructure Development Fund (RIDF) in 1995-96 to provide funds to state Governments and state owned corporations to enable them to complete various types of rural infrastructure projects.\textsuperscript{33}
Jacob revealed in his study the role of nationalized banks in agricultural lending and found that there was satisfactory banking development in rural and semi-urban areas after nationalization. In his study he concluded that the small and marginal farmers were left on the mercy of the private moneylenders. Agricultural credit was mainly concentrated in the areas where there were better infrastructural facilities. He gave his suggestions that the principle of one farmer, one account and one source would benefit both the farmers and institutions.\cite{34}

Ramadass made study on demand for and a productivity of farm credit in Pondicherry Region. He revealed that the operational area of the farm, farm assets and irrigated areas of the farm were the significant determinants of the demand for credit for large, medium and small farms respectively. Besides, family consumption expenditure exerted positive and significant influence on the demand for credit of large and medium farms, while it exerted lesser influence on demand for credit of small farms and revealed that it was interest elastic for large and other farms respectively. It also found that credit had positive and significant impact on the productivity of small and medium farms and the same was negative on large farms.\cite{35}

Murray classified agricultural credit on the basis of six criteria namely (i) time; (ii) purpose; (iii) security; (iv) lender; (v) type of borrower; and (vi) productivity.\cite{36}
Planning Commission and National Bank followed similar classification for Agriculture and Rural Development (NABARD) in India. In the case of planning commission (a) short-term credit might go for 15 months; (b) medium term credit from 15 months up to five years; and (c) long term credit above five years. Under the refinancing programme of the National Bank for Agriculture and Rural Development, (a) short-term credit would go up to 18 months; (b) medium-term credit would cover periods between 18 months and seven years; and (c) long term credit might go for periods not exceeding 25 years.

Banyopadhyay studied agricultural credit with reference to small farmers in Genetic plains of West Bengal. He examined the co-existence of multiple systems of loans, as the result of varying degree of bargaining powers of lenders and borrowers. The author has examined various points viz., imperfections of agricultural credit market rested with the lenders enabled them to charge high rate of interest on loans given to farmers. It concluded that small farmers did not have access to organized sector due to unfavourable terms and conditions and hence forced to borrow from informal sources.

The book entitled “Agricultural Financing in India by S.N. Ghoshal deals with the short-term and medium-term credit needs of the farmers. The author feels that, lack of credit facilities suffered agricultural development. He holds
that because of the failure of cooperative credit structure, the responsibility has been entrusted to commercial banks for financing this neglected sector.\textsuperscript{40}

Rayidhranath highlighted in his study that the farmers who have facilities accounted for a major share in the institutional and non-institutional credit. The small and marginal farmers could not get the loan for dairy because they were not available in the village cooperative societies.\textsuperscript{41}

Lal highlighted the role of the institutional and non-institutional credit agencies in financing agriculture in Eastern Uttar Pradesh. It was revealed that 65.7 per cent of the sample households was in debt, 66.2 per cent of credit was diverted for consumption. Institutional agencies did not solve the credit needs of the agriculture. The study concluded that the credit provided was not of right type; and did not serve the right purpose.\textsuperscript{42}

According to Banerjee, credit was the heart of the agrarian system in India. The demand for credit for farm operation was mixed up with that for consumption purpose. Hard-pressed farmers failed to control their consumption expenses, which were mostly on the substance level.\textsuperscript{43}

Singh and Singh in their article highlighted the allocation of institutional credit in relation to farm assets, farm cash expenses and use of fertilizers among different farm-size groups in Punjab. The study highlights that the
institutional credit in terms of its allocation was found concentrated in favour of big farmers.44

Kewal Kumar in his book institutional Financing of Indian Agriculture with Social Reference to Commercial Banks” has remarked that the development of agriculture is kingpin of our development. The present study gives varied number of problems of agricultural finance, as it is much needed input for the development of agriculture. The author has also attempted to assess the importance and impact of the agriculture credit on the agricultural produce. At last he suggested that the institutions supplying agricultural finance should adopt integrated credit policy for the future, as the provision of agricultural credit in the context of modernization of agriculture has become a necessity.45

Basu in his study pointed out that, although commercial banks lending to agriculture increased several fold such financing was not regionally equitable. The level of agricultural credit per hectare of net sown area was determined by per capital bank credit, central cooperative banks’ outstanding credit per hectare of net sown area, number of bank offices per lakh population, per capita bank deposit, degree of urbanization and intensity of cultivation.46

Dhawan and Kahlon pointed out the inadequacy of institutional credit even at the existing level of technology. The functional analysis of this study revealed that the small
farmers were rational in making investments on implements and machinery, milch animals, seeds, manures and fertilizers because marginal values productivities of these resources were significant. Therefore, they could further increase their income by expanding on labour and draught animals.

L.K. Naidu (ed.) in his book, "Bank Finance and Rural Development" has curtailed the problem that public sector banks have been extending credit facilities to hitherto neglected sectors of the rural economy. He opines that financing, agriculture, small business and small scale industries in a creditable manner will eradicate poverty and unemployment from the rural sector.

The study by B.N. Choubey, "Agricultural Banking in India" describes various institutions which are actively engaged in the task of financing agriculture. But after reviewing the impact of the institutional credit on agriculture, it has been keenly observed by the author that inspite of various problems of institutions like cooperatives, commercial banks, Regional Rural Banks, Agricultural Refinance Development Corporations, and National Banks for Agriculture and Rural Development (NABARD) etc. the agricultural sector still has been suffering for want of adequate funds.

Choubey explained agricultural production credit as (i) settlement credit; (ii) development credit; and (iii) production equipment credit. Settlement credit would be
defined as "Credit required for purchase of land for a new settlement, rehabilitation, rounding off holding, construction of farm-shed and godowns, Development credit would be required for permanent improvement or development of land, such as soil conservation, leveling, proper irrigation and drainage, fencing or enclosures, the building of proper barns and sheardy sheds. Production equipment credit was intended to provide production facilities and running of operational expenses which were less permanent as compared to land and its permanent improvements. These expanses were for major implements, livestock, plantation of fruit trees and expenses in the payment of wages, purchase of seeds, fertilizers, fodder and other agricultural requisites.\textsuperscript{50}

R.D. Sharma, "Agricultural Financing in India-Role of State Bank of India", is an empirical study conducted to evaluate the role of State Bank of India in the agricultural development. The author opines that State Bank of India has been playing an appreciable role in the development of agriculture inspite of having a wide network of branches.\textsuperscript{51}

Ajiya Raj, in his study revealed that village cooperatives were the most successful source of institutional credit; institutional loan was largely used for purchase of current inputs among lower size-groups, while big farmers with 10 acres of land invested it largely on land development, irrigation and agricultural tools and
implements; and the modern technology could be followed by big farmers with their self-finance.\textsuperscript{52}

Pandey in his article concluded that credit dispersion has increased the income of the farmers even at the existing level of technology. Coming of modern technology without credit would not have significant impact on the income of the farmers.\textsuperscript{53}

B.S. Rohilla in his study entitled “Initiatives of NABARD for rural non-agricultural financing and development discussed the major credit, promotional development and development scheme of NABARD for non-farm sector development such as training cum production centers, rural entrepreneurship development programmes, mother units etc. The article has also put emphasis on strengthening linkages between self-help groups and banks as well as international collaborations by NABARD for the non-farm sector growth.\textsuperscript{54}

Another article by Shojakhani in “Critical Evaluation of the Role of NABARD in strengthening the cooperative Movement” emphasizes the strengthening of the cooperative movement firstly at the grass root level so that it can cater to the expanding credit needs of India’s rural economy & secondly at the apex level for developing policies and procedures to serve rural economy. At last, in conclusion the author has given solutions of the problem to launch a special fund-cooperative rehabilitation found out of its profits &
this fund to be utilized for advancing necessary finance, at only service charges.\textsuperscript{55}

Reddy in his book has scholarly presented the problem of distribution of institutional Credit. According to him the credit distribution is biased in favour of developed regions and big farmers. The dominance of agricultural moneylenders in comparison to professional moneylenders remains unchanged. He has given his views that the creation of cooperative, RRB & NABARD has improved the share of institutional credit in the total rural credit.\textsuperscript{56}

Khan made an operational comparative study of the performance of rural banking system in India and Bangladesh. He highlighted the points viz., relative share of agencies, extension of rural credit, change in relative share, etc.\textsuperscript{57}

An article by H.N. Rao, Expanding Role of Banks in Rural Economy B.N.Rao tries to evaluate and predict the role of banks in the rural economy. He feels that no doubt, commercial banks have contributed substantially for the development, but then also bank credit has not helped landless labourers small and marginal farmers so far. He mainly expresses that the banks shall have to play a leading role in this respect in the coming days.\textsuperscript{58}

The National Bank for Agriculture and Rural Development's survey revealed, that there had been a 20 per cent leakage in lending connected with the Integrated Rural
Development Programme and 15 percent of its beneficiaries' were not poor.  

B.P. Sharma in Role of Commercial Banks in India's Developing Economy, has observed that thought he financial institutional particularly commercial banks have been playing a laudable role, in the promotion of agriculture and in mobilizing rural savings yet there remains a lot to be done. The banks have failed to touch landless, labourers, small and marginal farmers, who directly or indirectly need bank credit facilities.

Penson and David, together pointed out that the study of agricultural finance varied in scope from every micro concept of agricultural finance, such as the study of the financing liquidity services provided by credit, to a very macro concept of agricultural finance, such as the examination of agriculture's role in integrated macro economy

Jain discusses out the role of commercial banks in promoting rural economy in Bhil-wara district. His study highlights that the agricultural advance of the nationalized banks increased by 136 per cent from 1971-72 to 1975-76, there was 70 per cent automatic recovery. Medium-sized farmers had an easy access to bank credit and 75 per cent of the loan was properly utilized. It was also shown that productivity of borrower and non-borrower farmer increased by 76 per cent and 45 per cent respectively. Farmer
borrowers mainly used their incremental income for agricultural development.$^2$

Business India, June 2003 has given a detailed account of the activities of NABARD. Most important was the fact that this bank is non-depending on market for finances. Earlier it depended on resources from the government. NABARD got substantial support from RBI by way of contributions, to the tune of Rs. 500 crore for its long-term operational fund for investment credit. However, this stopped in 1993. Today that contribution has declined to only Rs. 1 crore a year, that too because of the statutory condition under the Act. In another blow the organization, which was also exempt from income tax for all these years, also lost that status in the last two years. NABARD has paid about Rs. 390 crore by way of tax for 2001-02 and about Rs. 400 crore for 2002-03. Therefore, the little support the government was providing by way of tax exemption is also gone now.$^3$

The profile of NABARD 2003 has given a detailed account of the activities undertake by NABARD during 2002-03 for facilitating credit flow for agriculture and rural development, promoting and supporting policies, practices and innovations conducive to rural development, strengthening rural credit delivery system through institutional development and supervising rural financial institutions (Cooperative Banks and Regional Rural Banks).
The report says that on March 2003 the total sources of NABARD as on 31 March 2003 were Rs. 50.885 crore and the owned funds were Rs. 20.738 crore. Investment in the schematic refinance was Rs. 25,416 crore which was 11.13% higher than the previous year. During the year, RIDF loans outstanding increased by 25.18%. Market borrowings increased by 43.17%. RIDF Deposits increased by 25.03% and Foreign Currency Loans increased by 20.8%. The operating surplus was Rs. 1542 crore, most of which (after payment of tax) was ploughed back into different development funds maintained by NABARD.

Objectives of the Study

Ever since the NABARD came into being, it has been playing an important role in strengthening the rural economy. The objectives are as follows:

1. The NABARD has now completed 22 years of its operation and has been criticized on various grounds by that beneficiary. This calls for a close evaluation of its functioning in fulfilling the objectives for which it was established and to find out the fields in which its performance needs improvement.

2. And the study will evaluate the effectiveness of its management in discharging the function assigned to it. Whenever necessary the suggestion will be given for better management.
3. Generally the cooperative sector demands that activities related to rural financing be assigned to a National Cooperative Bank: However, the government has not so far favoured the proposal.

4. The study will suggest measures to overcome the hurdles in its working and effective management with a view to develop healthy sound economic scenario.

5. It is a government bank and as such it is administered and managed by the Government. Although debate on the banking sector reforms is still not over & it is repeatedly said that financial institutions should be guided by professionals and not bureaucrats, the administration of this bank has not yet been taken seriously.

Scope of the Study

The study is based on the published data of NABARD and many other scholars who have published their results in different journals. However, the data is interpreted before any comment is made on any aspect of facility of the bank.

Research Methodology

This study is based on the published material of Government of India, NCUI, NABARD, surveys conducted from time to time committees appointed to review problems of rural India, to look into the problems of financing of rural ventures and strengthening the economy.
There is no alternative to truth and therefore to research. Research means to get nearer to the truth, to understand the reality. Research has passion of mankind of all times.

Research methodology is a specification of methods and procedure for acquiring the information needed. Research methodology contributes the blueprint for the collection, measurement and analysis of data. It is a way to systematically solve the research problem. It is the sum total of the steps adopted for doing the research work along with the logic behind them.

Since a researcher has to work in a practical situation, one is required to set one self to the task of translating the idealized design into a realistic working producer i.e. the practical research design. The practical research design results from adaptation of the scheme of optional requirement of research to the practical requirements of a study in such a manner that compromises between the ideal and practical aspect are not accomplished at the cost of scientific virtue.

Hypothesis

The study would test the following hypothesis:-

1. The NABARD has failed to fulfil its objectives with regard to financing and credit disposal, cheaper costs due to low level of management efficiency, and too
much attention on loaning to priority sectors with little attention on recovery ratio, more political consideration on loaning and financing, defective laws of recovery and dependence on Government for directors.

2. The present strategy of the management would not serve the mission of the NABARD in the liberalized economy and it has to change its strategy accordingly.

Outline of the Study

The work is divided into six chapters including one on summary of findings and conclusions.

The first chapter deals with the Introduction. The second chapter covers Need and Source of Agriculture Finance in India. The third chapter discusses Evolution and Perspective of NABARD. The fourth chapter is Structure of Organization and Management Pattern of NABARD. The fifth chapter discusses the Role of NABARD in Rural Financing. The sixth chapter of the work gives Conclusion and Suggestions.
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